

355.7-502 Rights acquired by due negotiation.

- (1) Subject to KRS 355.7-205 and 355.7-503, a holder to which a negotiable document of title has been duly negotiated acquires thereby:
 - (a) Title to the document;
 - (b) Title to the goods;
 - (c) All rights accruing under the law of agency or estoppel, including rights to goods delivered to the bailee after the document was issued; and
 - (d) The direct obligation of the issuer to hold or deliver the goods according to the terms of the document free of any defense or claim by the issuer except those arising under the terms of the document or under this article. In the case of a delivery order, the bailee's obligation accrues only upon the bailee's acceptance of the delivery order and the obligation acquired by the holder is that the issuer and any indorser will procure the acceptance of the bailee.
- (2) Subject to KRS 355.7-503, title and rights acquired by due negotiation are not defeated by any stoppage of the goods represented by the document of title or by surrender of the goods by the bailee and are not impaired even if:
 - (a) The due negotiation or any prior due negotiation constituted a breach of duty;
 - (b) Any person has been deprived of possession of a negotiable tangible document or control of a negotiable electronic document by misrepresentation, fraud, accident, mistake, duress, loss, theft, or conversion; or
 - (c) A previous sale or other transfer of the goods or document has been made to a third person.

Effective: July 12, 2012

History: Repealed and reenacted 2012 Ky. Acts ch. 132, sec. 31, effective July 12, 2012. -- Created 1958 Ky. Acts ch. 77, sec. 7-502, effective July 1, 1960.